

the Wendy's hamburger chain, high-tech conglomerate Fujitsu and office supply retailer Staples Inc., are adding what they call consumer-directed health plans to their menus of insurance options.

In a recent survey, 26 percent of large employers said they would offer such plans in 2006, up from 14 percent this year. Another survey found that about half of large companies were considering adding them.

A few companies are pursuing a "full replacement" strategy that leaves workers with no other choice. But even where such plans are optional, they are proving popular with workers who might once have scorned a plan that could leave them with several thousand dollars in medical bills each year. At Fujitsu, about half of 5,000 eligible U.S. employees have signed up for the option.

What suddenly makes such plans attractive to workers is that many are caught in a painful bind: In recent years, pay increases have been small at best. At the same time, employers have been requiring workers to pay a larger and larger share of their health insurance premiums. It's not uncommon for higher payroll deductions for health care to more than offset any pay raises.

With the high-deductible plan, workers pay lower monthly premiums and their employers commonly help them build up a special savings account to cushion the impact of a larger annual deductible. The accounts are controlled by the employees, which has led insurers and employers to label the plans "consumer-directed."

Even if high-deductible plans offer immediate relief for many workers, and big cost savings to employers, the allure may not last. And the plans may do little or nothing to solve the basic problem of soaring health costs.

"You're beginning to see a lot of growth in these plans, not because they're going to solve America's health care challenge, but because it's a way for employers to cut their out-of-control benefit costs," said Robert Laszewski, a consultant to health insurance companies. "Any time an employer can raise deductibles from \$200 to \$1,000, it is going to reduce their costs. But will it reduce U.S. health costs generally? The jury is still really out on that."

The reason, he said, is that 10 percent of the people—the sickest Americans—account for 70 percent of total health care costs. "Once the sick people have gone through their deductible, they're back to regular health plan—the incentives for them don't really change," Laszewski said.

"This is a cost shift device, and not a means to fundamentally control health care costs."

Moreover, the willingness of workers to sign up for less generous plans may change over time, as workers and their families get older and more likely to encounter serious medical costs.

"To make these plans truly work, they have to work for the sickest population—it can't be a plan that only works for the healthy," said Joe Walshe, a principal with the consulting firm PricewaterhouseCoopers. "It's very difficult, but that's where the challenge is."

In the meantime, the short-term appeal of high-deductible plans is easy to see. Employees get a bit more take-home pay. Employers get some relief from higher health care costs.

For big companies, the new plans represent an upfront savings of about 10 percent and the expectation of more gradual cost increases over time. Last year, large employers spent an average of \$5,584 per worker for coverage through a high-deductible plan, compared with \$6,181 for a worker in the typical preferred provider network, according to

a Mercer Human Resource Consulting survey.

Employers say the new plans are not designed primarily to shift costs to workers. The ultimate goal, they say, is to cut health care costs by changing consumers' behavior—teaching them to be more cost-conscious about things such as generic drugs.

"In three to five years, every company is going to offer them," predicted Alexander Domaszewicz, a Mercer senior consultant based in Newport Beach. "People are going to be coming over from companies that have them, and they are going to want them."

When the city of Las Vegas began offering a consumer-directed plan to 2,200 eligible employees last year, 60 percent signed up.

"When I was growing up in the 1950s, no one had insurance for day-to-day going to the doctor," said Victoria Robinson, the city's insurance manager. "You covered those expenses yourself and had major medical if you had to have your appendix out or something like that."

"It's almost like going back to the future," she said.

Yes and no, analysts say.

When employers began offering health insurance, it was a way to attract workers by offering them something of value without directly raising their pay. Today, in purely economic terms, shifting insurance costs to workers amounts to reducing compensation.

Although workers may think they will only face the high deductible if serious illness strikes, those receiving routine medical care can also face fairly hefty medical bills.

Many of the new plans "confront people with a lot more cost sharing than they are currently experiencing," said Sherry Glied, a health policy professor at Columbia University. "If you are the kind of person who can't keep \$2,000 in an account, it could be a really bad idea for you."

The experience of Mark Pung, a general contractor in Grand Rapids, Mich., shows why such plans can be enticing.

The father of four children, Pung says he would never dream of going without health insurance. Yet he and his wife, Dana, paid for the births of their two youngest children out their own pockets—\$3,600 for each healthy baby girl. That's because their medical insurance carries a \$5,000 deductible for the family.

Since their premiums are \$180 a month, or \$2,160 a year, they could find themselves with as much as \$7,160 in out-of-pocket health care costs in a single year.

On the other hand, the Pungs face much lower monthly premiums than they would have to pay for a traditional plan: between \$800 and \$1,400 a month for family coverage—at least \$9,600 a year in premiums alone.

Initially, Pung said, "I felt more exposure. But it wasn't enough to stop me from doing it, because I could run the numbers and see how much sense it made."

The numbers would not be so dramatic for workers in company plans. Employers help pay premiums and the deductibles are lower. In 2004, the median deductible for a family in a company-provided plan was \$3,000. The employer contributed \$1,200 toward that through a special account, according to Mercer, leaving the employee responsible for \$1,800.

Proponents of consumer-directed health care say another advantage of the plans is that higher deductibles encourage consumers to shop smarter.

The two major firms that administer the plans for large employers—Lumenos Inc. in Alexandria, Va., and Definity Health Corp. in Minneapolis—also supply employees with ideas for saving money, online health care information and related services.

"The key thing is the whole concept of getting the consumer engaged," said Doug

Kronenberg, chief strategy officer for Lumenos. "We've got to see behavior change for us as a country to be able to address the escalating health care costs we've got."

When patients have no "skin in the game," he said, they don't think about how to save.

In Washington, Republican policy-makers have encouraged the trend toward high deductible insurance plans.

Congress expanded tax-sheltered medical accounts and renamed them health savings accounts, or HSAs, in the 2003 Medicare prescription drug bill. A year earlier, the Treasury Department had quietly issued a ruling that enabled employers to offer a plan known as a health reimbursement arrangement.

The savings accounts are available to people who buy health coverage with deductibles of at least \$1,000 for individuals and \$2,000 for families. Employees and employers can make pretax contributions to cover the deductible. The accounts belong to employees, who can take them along when they switch jobs. With reimbursement accounts, employees don't own the health care accounts. They can roll over unused balances at the end of the year, but they cannot take their accounts with them if they switch jobs.

In a typical reimbursement account, an employer would create an account for an employee and family, and commit to cover the first \$2,000 of their health care costs. The employee would then be responsible for the next \$1,000.

After that, traditional health coverage would kick in, with the policy paying 90 percent of the costs and the employee 10 percent. Both the reimbursement and savings accounts have caps on how much an individual can be required to pay in a year.

Still, financial incentives can change—especially as individuals realize they need greater levels of health care.

"The real concern is that people will want to switch out of these plans when they get sick," said Glied, the Columbia professor. "Then it will be very expensive for employers."

## HONORING TRUETT OTT

**HON. JIM DAVIS**

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. DAVIS of Florida. Mr. Speaker, I rise in honor of Truett Ott, former Florida State Senator and District Court of Appeals Judge, whose passing last month was a great loss to our community.

Always a dedicated public servant, Truett appropriately began his career by serving his country as a pilot in World War II and later as an officer at Tampa Bay's MacDill Air Force Base during the Korean War. But Truett would become better known for his work in the field of law—a career which he launched by graduating with honors from the University of Florida Law School. He joined Tampa's Carlton Fields law firm before founding a firm of his own in 1956.

Just ten years later, Truett set his mind to running for the State Senate and beat an incumbent to win his seat. Among his many notable accomplishments in office, Truett was a force behind legislation to improve our state's vocational schools and he convinced his colleagues to support a law providing judges discretion in sentencing for certain first-time drug offenders while increasing penalties for repeat

offenders and dealers. Truett became known as a uniquely fair but independent minded lawmaker—a reputation which he would carry throughout his career.

In 1972, Truett returned to the full-time practice of law, but just four years later he chose to run for a seat on Florida's Second District Court of Appeal. He not only won the seat, but was reelected in 1982 with a nearly 90 percent approval rating in a Florida Bar Association poll. When Truett retired from the bench in 1986, he was serving as Chief Judge.

Truett Ott's service to his community did not end at the office door. A faithful servant of God, Truett taught Sunday school for 55 years and gave back to others through his work with a host of service organizations including the Boy Scouts of America, YMCA, United Way, Metropolitan Ministries, the Billy Graham Crusade, the Boys Club and the Pike County Association.

Truett Ott was a role model for us all. On behalf of the entire Tampa Bay community, I would like to thank him for his service and extend my deepest sympathies to his family. His contributions and his character will not be forgotten and set high standards for generations to come.

HONORING CONOR MICHAEL  
O'ROURKE

HON. JAMES P. MORAN

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. MORAN of Virginia. Mr. Speaker, I rise today to honor Conor Michael O'Rourke of Arlington, Virginia. Conor has not only achieved the rank of Eagle Scout in the Boy Scouts of America; he has pursued his accomplishments with a sincere commitment to the fundamental ideals of improving our community. As a member of Troop 50 in the National Capital Area Council, Conor has exemplified the finest qualities of leadership and citizenship in earning Boy Scouts' most prestigious award. He is currently a junior at Bishop Denis J. O'Connell High School in Arlington, Virginia and is the older son of Mary Anne and Michael O'Rourke.

At Troop 50, Conor has provided leadership in a variety of positions. He has led his troop as Patrol Leader (twice), Assistant Senior Patrol Leader, and High Adventure Assistant Crew Chief. In addition, he served for several years as Den Chief, in which he was a role model and guide to a group of Cub Scouts at St. Thomas More School in Arlington.

As a Boy Scout, Conor has trekked through the mountains of New Mexico on horseback, explored underground caves, sailed the Florida Keys and went on numerous camping trips. He has earned 28 merit badges and four religious awards, including the Boy Scout Ad Altare Dei. He is truly an exemplary Scout.

For his Eagle Scout Leadership Service Project, Conor directed three dozen volunteers, who donated over 140 hours of labor to the Arlington County Department of Parks and Recreation for the construction of a new park trail.

Because of his dedication and service to the community, I have great expectations for Conor—he will be among the young men who leads our Nation through the 21st. Century.

Mr. Speaker, I proudly ask you to join me in commending Conor Michael O'Rourke for achieving the highest distinction of Eagle Scout, and wish him luck on all of his future endeavors.

CONGRATULATING RUTH ANN  
NORTON

HON. C.A. DUTCH RUPPERSBERGER

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. RUPPERSBERGER. Mr. Speaker, it is my pleasure today to congratulate Ruth Ann Norton, whose important work in preventing lead poisoning has received national acclaim. Ms. Norton recently received the Nation's top community health honor, a 2005 Robert Wood Johnson Community Health Leadership award.

Ms. Norton is one of 10 recipients nationwide recognized for their outstanding contributions to community health. As part of the award, Ms. Norton will receive a grant of more than \$100,000 to augment her efforts.

As recently as 2002, one out of every 25 children nationwide was diagnosed with lead poisoning. The City of Baltimore, where Ms. Norton's efforts are focused, has among the highest numbers of pre-1940 rental properties in the Nation—and buildings constructed in that timeframe often contain lead paint. The children living in these buildings often develop asthma or lead poisoning that can cause serious disabilities and impairments.

Unwilling to accept the fact that children are exposed to hazardous environments, especially in their own homes, Ms. Norton left the business world to become Executive Director of the Coalition to End Childhood Lead Poisoning in 1994. She transformed the Coalition from a one-person organization to a 30-person primary prevention organization that has provided direct program services to thousands of at-risk clients. The majority of those helped by the Coalition are single, African-American mothers and pregnant women living in high risk and low-income communities in Baltimore.

Under her leadership, the Coalition has played a significant role in reducing childhood lead poisoning in Baltimore by 91 percent in less than a decade. This success is the result of preventative strategies and public policy changes advocated for by the Coalition, such as requiring lead reductions in housing stock, providing relocation opportunities for families living in hazardous buildings, and testing children for lead paint poisoning. The Coalition has also been credited with playing a primary role in the dramatic decline in lead-poisoned children statewide—from 14,000 in 1993 to less than 2,000 in 2003.

Mr. Speaker, I am honored to recognize Ms. Norton's dedication to improving the health of Maryland's children, and to congratulate her for this well-deserved Community Health Leadership award.

TRIBUTE TO JULIE PUENTES

HON. KEN CALVERT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. CALVERT. Mr. Speaker, I rise today to recognize and honor Julie Puentes for her

dedicated service to the people of Orange County, California. Ms. Puentes has demonstrated a commitment to excellence and has made our community a better place to live.

Julie Puentes is the Executive Vice President of Public Affairs for the Orange County Business Council, a countywide organization comprised primarily of Orange County's largest employers and small businesses dedicated to Orange County's economic vitality. She serves as a member of the organization's executive management team and manages the Business Council's Advocacy program. She coordinates the Business Council Investor lobbying efforts which are intended to foster a positive business climate and preserve Orange County's quality of life. During her time at the OCBC, Julie has done an exemplary job of building relationships, particularly with Orange County's federal, state and local representatives. She also works closely with other chambers of commerce and regional economic development organizations.

Before she joined the Orange County Business Council professional staff Ms. Puentes was the owner of JFCConsulting, a public affairs consulting firm. Her firm focused on engaging the business community in the development of public policy and more business-friendly environmental regulation. From 1978–1991, Ms. Puentes served as Chief of Staff to Senator Marian Bergeson, culminating a 20-year career in public service for five state legislators.

Ms. Puentes served in the Wilson Administration as a member of the State Job Training Coordinating Council (now the state Workforce Investment Board) and the Governor's School-to-Career Advisory Council. She serves on the Board of Directors of the Orange County Public Affairs Association and Citizens Against Lawsuit Abuse, and is a member of the California Chamber of Commerce Advocacy Council.

We rely upon citizens like Julie Puentes to sustain the spirit of our communities. I have relied on her advice in addressing various water and transportation challenges facing our community and state. Julie Puentes has earned my many thanks and I wish her great success in all her future endeavors.

RECOGNIZING KELLY BLACK

HON. ZOE LOFGREN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Ms. ZOE LOFGREN of California. Mr. Speaker, I rise today to recognize Kelly Black for her award as Best Female Performer in the 11th annual High School Music Theatre HONORS awards in San Jose.

This year, over 25 Bay Area High Schools competed in 10 unique categories. Judges from the American Musical Theatre were sent to each school to watch and evaluate performances. Judges were instructed to evaluate the quality of each production and performance, while keeping in mind each school's budget and available resources. This annual competition awarded four students who reside within California's 16th district.

Kelly is a student from Oak Grove High School. She won the Best Female Performer award for her role of Velma Kelly in "Chicago". Kelly will receive a scholarship to the